



## Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

# BUSINESS AND AGRICULTURE

BY E. T. MEREDITH

Ex-Secretary of Agriculture

I AM asked "What is the matter with business as viewed from an agricultural standpoint?" My answer is, "A lack of orders, due to the reduced purchasing power of the farmer."

It is commonplace in this country to say that agriculture is fundamental. Everyone seems to recognize it. Yet few seem to feel, as indicated by their lack of active interest, that it is of importance that no serious harm come to agriculture, that prices of farm products be stabilized, and that every reasonable facility be furnished to agriculture.

The farmers of the nation prepared the ground, sowed the seed and harvested the crop of 1920, under conditions calling for high-priced labor, high-priced equipment, expensive facilities. In fact, all expenses were comparable with those of the previous year. Yet they were obliged to take for this crop, which was a larger crop than that of the year previous, some five billions of dollars less. The business man, whether he be manufacturer, banker, insurance man, railroad man or what not, may be so busy with his own affairs, both business and social, that he gives but passing thought to this situation, and sweeps it aside with the statement that "the law of supply and demand is inexorable." He devotes many hours to borrowing money, to worrying about reducing expenses, in many cases goes through the hands of a receiver to straighten out his affairs, while all this might have been largely avoided had he devoted sufficient time in the interest of agriculture to prevent the hardships that have come to that calling.

Laboring men in all walks of life have complained because of the high cost of living, and have urged that the cost of living must be reduced, not stopping to realize that they could better afford to pay \$1.75 for wheat while steadily employed in some manufacturing plant at seven dollars a day than to pay seventy-five cents for

wheat while out of employment. Since the first of January last it has been reported that there are three million idle men in the United States. It is likely that they are now worrying not so much about the high cost of living as about the problem of finding employment that will offer them any living at all.

Farmers in some cases have been obliged to forfeit land upon which they have made substantial payments; others have been obliged to make up the difference between actual cost of production and the price received for the products of their labor, out of their capital. Many renters have been obliged to move from the farm, bankrupt, because of the losses occasioned by the slump in prices. Certainly when the business man, laboring man and farmer are all affected, the problem is mutual, and it is no more the problem of one than another, and attention given to the problem is no more in the interest of the farmer than of the other two classes.

Granted that the high prices prevailing during the war had to be reduced, the question is whether they should be reduced at one stroke, with the consequent hardship that comes to business, labor and agriculture, or whether this reduction should be brought about in an orderly way, giving each interest time to adjust itself. I am not asked to decide as between the two policies, but only to discuss what is the matter with business at present.

Granted that some method had been devised to reduce the price of farm products gradually, and that we had reduced the value of the 1920 crop but a billion dollars instead of five billion, giving the farmer for last year's crop four billion dollars more than the amount he received at the prevailing prices, what would have been the situation? There are 6,500,000 farms in the United States, upon which are engaged thirteen million men. These farms are, in effect, 6,500,000 separate manufacturing plants, needing woven wire fence, tractors, trucks, windmills, homes with all their equipment, clothing, shoes, lumber for barns, tile for drainage, steel for a thousand different purposes. These plants do as other plants do, namely, buy equipment when they have money to pay for it. Business is but an exchange or a trade of one article of commerce for another article of commerce. The farmer trades his wheat or his corn for a tractor, a truck or other

equipment, and the fact that one man buys the wheat and pays for it in dollars, the farmer using the money to pay for the tractor, does not essentially change the situation. Will anyone deny that had the farmer four million orders to place, for a thousand dollars each,—had property in the way of agricultural products been valued at four billion dollars more than they were valued,—he would have delayed making these trades?

If anyone of us could act as purchasing agent for the farmers of the nation, and had to-day four million orders for a thousand dollars each to place with the manufacturers of shoes, clothing, implements, trucks, tractors, automobiles, etc., every idle man in America would be put to work manufacturing the goods with which to fill these orders, and the manufacturers would have many orders to place with other business concerns for raw material and equipment. The business men of the nation, whose profits are only a charge for the service they render in connection with making these exchanges between agriculture and labor, would have orders. The business man with orders could pay his banker; labor employed would patronize the retailer; the retailer would buy of the jobber and manufacturer, and "business" would be in a very different situation. The lost labor of three million idle men, and the profits business men did not make on orders not received, would be traded for the farmer's crops. Were the trades made, the farmer would be benefited by the extra equipment, labor would be employed in making it, and business men would profit in making the exchanges. Some may urge that the farmer still has had a large income to spend. Certainly he has, but he does as the rest of us do, "slows up" when business is poor; and he has slowed up. He feels poorer than he really is, and business must wait until he gets adjusted.

We are told that the closing of European markets is the cause of the present situation. This may have and undoubtedly has had some influence on the situation, but this is not the first time that harm coming to agriculture has led to resultant harm to business. If the closing of foreign markets is the one and only cause of the present situation, what was the cause of the depression of 1893, and other similar uncertain times? The facts are that less than twenty per cent of our total agricultural products are exported.

Exports of crops have fallen as low as 11% and meats several times to 5% of the year's production. If we export from last year's crop an excess of one hundred million bushels of wheat, there would be considerable question as to whether we would have sufficient for our own needs and proper reserve. The visible supply of wheat at this time is the lowest in eighteen years, the supply in country and terminal elevators being less than one-half what it was one year ago.

Agriculture is fundamental, and it follows that we are anxious to keep upon the farms a contented, prosperous citizenship, giving them an American standard of living, which means cost of production plus enough to keep the children in school. Why, then, should we permit the small exportable surplus of our agricultural products to come in competition in Liverpool with the Russian peasant's wheat, with wheat from the Balkan States, with Australian wool, permitting the sale of this small per cent to force a price which bankrupts our farmers by so greatly reducing the price of the large portion we consume in this country? If the law of supply and demand is the controlling factor, why should we not give some attention to the question of our domestic needs; the amount that the world will accept from us at cost of production plus a reasonable profit, and then in some way regulate the production to meet the demand? Why continue to produce such a quantity of a given crop that because of its production we come to harm? What is the advantage to the farmer of the South, to the retail business man who hopes to sell to him, to the jobber who hopes to sell to the retailer, to the northern manufacturer who hopes to sell to the jobber, to the laboring man in the factory who hopes for employment, to have produced in this country a crop of cotton larger than we need for ourselves, the surplus of which the world will not accept at cost of production, with the result that not the surplus alone but the whole crop must be sold at a price that means hardship to the producing farmer, the man with whom the business starts? Is it not a travesty, if the statement made in dispatches is true, that there are likely to be ten thousand deaths in the South, due to the fact that the farmers have no money and cannot buy the necessities of life, and yet have cotton, which would be a Godsend, not alone to the people of Europe, but

to the three million men now idle in the United States? There may be closed markets in Europe, and undoubtedly are, but there is a very great, unfilled, potential market in the United States. Three million idle men and their families would find need for much cotton if the men were engaged in gainful labor.

I am not suggesting that we should reduce production. I am heartily in favor of maximum production, the largest possible output of necessities and luxuries. But I am suggesting that we should have a balanced production, and if the world will not absorb, at the cost of production plus a profit, our cotton, our wheat, our wool or our corn, then we should produce of these crops enough to meet our domestic needs, absorbing it at a price that brings to the producer cost of production plus a profit, and devote the balance of our time and our energies to producing other crops or articles that the world will absorb, or that this country may absorb to the advantage of its citizenship.

A family of ten brothers would certainly not manufacture any article, chairs for instance, which it was obliged to sell for three-fourths of what it actually cost to produce. If there was a market for the product of but seven of the brothers at a profit, these brothers might continue manufacturing chairs, but the other three brothers would probably look for some other source of income. Each business man regulates his production by what he can sell at a profit, given normal conditions. It is natural and possible that these decisions should be made by individuals, corporations, or co-partnerships engaged in business. Why should they not be made by the larger family, the 110,000,000 people of the United States?

Decisions for the whole people can be made only through our Government, and it might be possible for us to influence a balance production by our Government's fixing one year in advance, for the following year's crops, the minimum price it will guarantee on five articles, wheat which is bread, wool and cotton which are clothing, corn which is meat, and sugar of which we import a very large quantity. Human nature is about the same the country over, and the hope of a profit will move men to engage in an enterprise offering such profit. The prospect of a loss or but scant profit will discourage them from engaging in an enterprise. We

know the approximate quantity of the five mentioned crops necessary to meet our domestic needs. The Department of Agriculture has made very careful studies as to the cost of production. A price can be fixed upon wheat which will permit enough farmers to engage in its production to give us six hundred million bushels, if that be our needs. A higher price will let in additional farmers, farmers not so fortunately situated as those who could produce profitably at the lower price, to give us a total production of seven hundred million bushels. A still higher price will give us a still larger production. With the prices announced one year in advance, if it were deemed desirable to curtail production of a given crop, a reduction in the guaranteed price of the article of which we had a surplus and an increase in the price of the one of which we wished to increase production would discourage a certain percentage of farmers from raising the one crop and result in the desired lessened production, and increase the production of the other crop of which we had a shortage. We might, at times, find the Government with a small portion of a given crop on hand, not absorbed by our own people or the export market, and in that case the whole people would absorb the surplus through the Government as a problem of mutual interest, handling it so as not to bring harm to the people who produced the crop, thus permitting business to go along without a jar. In this situation the price the following year on that particular crop would be reduced in order to reduce production. After a few years' experience with necessary adjustments of prices we would get to a stable basis. Some may say this would be wholly in the interest of the farmer. Such do not agree that agriculture is fundamental. We ask the farmer as a class to continue production. The interests of the whole nation demand that we have a sustained agricultural production. They cannot as a class go out of business, an option the individual business man has; therefore the farmer should be given some assurance as to what the price of his produce will be one year hence. He plants a year in advance. There is no suggestion of guaranteed profit. He still has the hazard of weather, disease, insects and management.

Individually the farmer of course makes decisions regarding the crops he will plant, but because as an individual he can have but a

narrow view of the domestic and world's needs this does not meet the situation.

I grant that the Government cannot buy, at the end of the harvest, the twenty billions of dollars worth of agricultural products produced annually upon our farms. The Government could not possibly receive and distribute these products, thereby taking the place of thousands of business men. This would not be desirable, even though it were possible. Therefore, the Government would agree to buy only the surplus crop, that portion left over after the consumption year. The price of wheat for the crop of 1922 would be fixed in the summer of 1921, the crop harvested in 1922, and any surplus bought August 1, 1923. During the time between harvest in 1922 and August, 1923, the people of the nation will need wheat. Granted that the price is fixed at \$1.75. No farmer will sell his wheat for one dollar per bushel. He will inform any would-be purchaser that he will keep it until the date the Government has agreed to take it, that the only discount he will allow will be the carrying charges. In the meantime, the people of the United States must eat and the millers must furnish the flour. As a consequence the millers must have wheat and they will pay the farmers the price fixed by the Government. At the end of the consumption year, when the Government proposes to make good its offer and says to John Smith, farmer, that it is ready to buy his ten thousand bushels of wheat, Mr. Smith will inform the Government that he has sold his wheat and that it has long since been eaten by the people of New York, Philadelphia, Pittsburgh, Chicago, St. Louis, who exchanged for it services which the farmer desired in the way of manufactured products, transportation, household equipment, calling for the employment of labor and transactions which we term "business."

In the meantime, we have given the farmer conditions under which he can plan his work. He can determine for himself whether he can produce wheat at the price offered, this price being designed to permit the number which is necessary to produce the volume desired to engage in the growing of wheat. The farmer who could not grow at the price offered would not grow wheat, but would grow wool or some crop more suited to his situation, and that is what we desire in this effort to regulate in



some way the supply of agricultural products so as to meet the demand but not to exceed it to such an extent that we shall all come to harm. Prices could be fixed by a committee of Cabinet officers, representing labor, business and agriculture, advised by a corps of statisticians as to the cost of production, the consumption needs of our own country, world markets, etc. The price is only a minimum guarantee, the farmer receiving any higher price offered because of world shortage or other unusual conditions.

There is from day to day fluctuation in the price of grains and meats. Farmers rightfully complain bitterly because of this. A guaranteed minimum by the Government would largely remove speculation and fluctuations except for natural causes, such as world shortage because of some calamity.

Statistics showing the production of our farms per acre for the past fifty years show a surprising parallel between commercial failures and reduced revenue to the farmers, and a corresponding reduction in failures when the farmer has taken, not necessarily the largest crop in volume, but the crop that has returned him the largest amount in dollars, which in practically every case is on the whole the same thing. The failures for the country are more than doubled when agriculture is depressed, as against the number when the farmer is in good circumstances. Certainly this indicates a very close relationship between business and agriculture. Laboring men recognize that when business is bad and failures are common, labor is unemployed, and if a reduced revenue to the farmer or the production of a crop by him at an actual loss results in stagnation of business and failure to the business man, the laboring man is as much interested as the business man.

Answering again what is the matter with business from an agricultural standpoint, I would say that it is a lack of orders to the amount of four billion dollars, four million orders of a thousand dollars each, which the farmers of this country have not placed during the past year because we took this value out of their crops and they are simply so much short in the value of the tangible property which they have to trade for the wares of the business man. If the farmers of the country decide to reduce expenses one dollar and a quarter a day (and they have), it means four hundred and fifty dollars a year for each farm; on 6,500,000 farms

this means \$3,000,000,000, or three million orders of one thousand dollars each. It is the new wealth the farmer takes from the soil, twenty billion dollars a year, that forms the basis of business.

Manufactured products must in most cases be imported into this country to come into competition in our domestic market. Tariff will not prevent wheat being offered in Liverpool by Russian peasants or farmers of the Balkans; tariff will not keep cotton grown by coolies of India from being offered in Manchester. Our surplus wheat and our cotton must meet their price and this price governs the whole crop. If protection is desirable in the case of manufacturing, why is it not important to adopt some system that will actually protect the farmer and prevent the small surplus from fixing the price on the whole, tariff or no tariff?

We recognize railroads to be of the utmost importance, and we guarantee a reasonable return on their capital and tax ourselves to meet it. This may be wise, but if so, why do we dismiss help for agriculture as socialistic and "subsidy," and consider direct contributions to the railroads to be good business?

Matters may be adjusted by labor getting back to the old basis, by business men reducing their profits in order that the merchandise which the farmer is interested in purchasing shall represent something like a fair exchange in value for the products of his labor; or we can get back by increasing the price of farm crops so that the labor represented in a number of bushels of wheat or pounds of cotton sufficient to purchase a pair of shoes, a gasoline engine, or a dining-room table, may more nearly correspond with the amount of labor necessary to produce those articles. Had the business men of America interested themselves before rather than after the fact, we might have adjusted ourselves gradually; there might have been an avoidance of the failures, the bankruptcies and the hard times. We do not seem to have learned our lesson when calamity formerly came to agriculture. It is too late to prevent the hardship that has come at this time; but shall we not profit by our lesson and work out some plan which will prevent its recurrence?

E. T. MEREDITH.